



FOR IMMEDIATE RELEASE

**PJM CAPACITY AUCTION RESULTS:  
POWER SUPPLIES UP, PRICES DOWN**

*3,576 Megawatts of New Generation*

*662 Megawatts of Additional Demand Response*

(Valley Forge, Pa. – May 15, 2008) – PJM Interconnection’s recently completed Reliability Pricing Model (RPM) auction produced a large increase in generation and demand resources and a lower price than the last auction. Results of the auction for the planning year, June 2011 through May 2012, were posted today. This auction was the first that included a full three-year forward-looking planning horizon.

The auction yielded a net increase in resources available to PJM of 4,238 megawatts (MW) of new generation and demand response, including more than 1,000 MW of base load capacity. It produced a uniform price across the entire PJM region of \$110 per megawatt-day, a decrease of \$64.29 (37 percent) per megawatt-day from the last auction.

“Forward capacity auctions are creating incentives, and the marketplace is responding with investments,” said Andrew L. Ott, PJM senior vice president-Markets. “This auction included offers from several large combined cycle plants and one large coal plant, all of which cleared to create the largest increase in new supply across the auctions held to date. This really was the first auction that provided the full three-year lead time to attract substantial new generation.

“The steady increase in upgrades to existing generation also demonstrates that generators are reinvesting capacity revenues to maintain and enhance units,” Ott said. “The sharp increase in the amount of demand resources in the auction shows that providers are responding to the RPM price signal.”

The current auction attracted 2,333 MW of entirely new generating units, including solar, wind, natural gas and coal-fired units; 1,243 MW of new capacity from upgraded existing units; and 662 MW of new demand response – equivalent to a mid-sized power plant. The total results include 176,055 MW of generation and 2,035 MW of demand response.

The RPM auction price was lower because growth in the available capacity was greater than the growth in demand – supply exceeded demand. Supply increased because of significant increases in both new capacity and power imports from other regions. Demand growth was lower because the Duquesne Light Company zone was not included in this auction.

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“Considering the combined results of all five base auctions conducted to date, we calculate that the minimum increase in capacity is more than 16,000 megawatts compared to what would have been available without RPM,” Ott said. “The current auction would have attracted even more capacity if the process had included updated data for the cost of new entry, the revenue required to pay for a new generating unit.”

The RPM ensures that electricity providers have enough capacity — power to be drawn from when needed — to reliably serve the 51 million people in the PJM region. PJM members that sell electricity to end-use customers must have access to adequate power supplies. They can use generation, transmission or demand response, including energy-efficiency programs. They can meet their supply requirements by owning resources (self-supply) or contracting for them (bilaterals).

Most capacity is procured through self-supply and contracted (bilateral) resources. The RPM auction procures any remaining needed capacity. The next RPM base residual auction will be in May 2009. It will be for the delivery year 2012-2013.

Demand response is a voluntary reduction in the use of electricity. A key feature of the RPM is the ability of demand response to compete with and to be paid the same as generation.

Capacity prices are paid by electricity providers at a wholesale level, and the price that is passed to retail consumers differs by company.

*PJM Interconnection ensures the reliability of the high-voltage electric power system serving 51 million people in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. PJM coordinates and directs the operation of the region’s transmission grid, which includes 6,038 substations and 56,250 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. Visit PJM at [www.pjm.com](http://www.pjm.com).*

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